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Policies and Benefits

ERS seeks additional funding for retirement and health benefits, says employee retirement plan on path to actuarial soundness

The Employees Retirement System (ERS) has requested an additional \$80.7 million in general revenue funding during the FY 2018-19 biennium in order to fund employee pension programs at actuarially sound contribution rates. An actuarially sound contribution rate would cover the normal costs of benefits and eliminate any unfunded liabilities within 31 years.

According to the ERS, the 84th Texas Legislature made substantial improvements in the financial state of the retirement fund by increasing contributions from both the state and plan members. Because of these increased contributions, the funding period for the actuarial unfunded liability went from an infinite to a 33-year funding period. Consequently, the additional funding requested to achieve an actuarially sound contribution rate during FY 2018-19 is far less than the \$378.7 million ERS requested for the same purpose during FY 2016-17.

Most of the additional funding would be directed toward the regular ERS retirement trust fund, with smaller amounts targeted for the Law Enforcement and Custodial Of-

ficer Supplemental Retirement Fund and the Judicial Retirement Plan.

The Employees Retirement System has also requested an additional \$332.2 million in general revenue funding for the group benefits plan: \$134.1 million to continue providing health plan benefits at the existing level and \$198.1 million to replenish a contingency reserve fund to the statutorily required amount.

According to ERS, the state continues to face significant challenges in the group benefit plan due to rising costs associated with health care delivery in the U.S. Health care costs are rising faster than both national income and the overall rate of inflation, and the average annual health benefit cost increase is projected to be 8.5 percent from FY17 through FY19.

The ERS' appropriations request also states that benefit programs are important to maintaining a strong and responsive state workforce, and cautions that any benefit design changes could increase statewide employee turnover, increasing recruitment, retention

and training costs and negatively impacting state agencies' ability to provide needed services.

TDCJ Executive Director Bryan Collier said he was pleased with the improvements made to strengthen the pension program, and emphasized that the agency strongly supports the ERS request for additional funding for both retirement and health care benefits. ●



Update: Texas Sunset Advisory Commission's ERS review

The next meeting of the Texas Sunset Advisory Commission is scheduled for November 10, during which the Commission is expected to adopt recommendations pertaining to the Employees Retirement System. Those recommendations will be included in proposed legislation for the 85th Texas Legislature to consider when it convenes in January 2017.